

**From:** Colin McLauchlan  
**Sent:** 27 March 2009 11:00  
**To:** David Mackay  
**Subject:** Example of 50% Bonus briefing for RemCom

**Sensitivity:** Confidential

**Bonus Proposals for Senior Management and Project Critical Resources**

Reflecting the structure used for the Executive Chairman and to lock in senior management and project critical resources incentive arrangements to move to a two tiered model with effect from the 1<sup>st</sup> April 2008. The annual entitlement will stay at a 50% opportunity ceiling but the achievement against 20% will be banked on an annual basis and payable at end of 2010/11. Illustrative model below

EXAMPLE - Static Salary and Low Variance Annual performance

| Financial Year | Salary      | Annual Bonus | Max Bonus Opportunity | Annual Score | Total Paid in Year | % Paid     | Banked 2010/11 | % Banked   | Total      |            |
|----------------|-------------|--------------|-----------------------|--------------|--------------------|------------|----------------|------------|------------|------------|
| 2008/09        | £100,000.00 | 50%          | £50,000.00            | 25%          | £25,000.00         | £15,000.00 | 60%            | £10,000.00 | 40%        | £25,000.60 |
| 2009/10        | £100,000.00 | 50%          | £50,000.00            | 30%          | £30,000.00         | £18,000.00 | 60%            | £12,000.00 | 40%        | £30,000.60 |
| 2010/11        | £100,000.00 | 50%          | £50,000.00            | 25%          | £25,000.00         | £15,000.00 | 60%            | £10,000.00 | 40%        | £25,000.60 |
| <b>TOTAL/</b>  |             |              |                       |              |                    |            |                |            |            |            |
| AVERAGE        | £100,000.00 | 50%          | £150,000.00           | 27%          | £80,000.00         | £48,000.00 | £30,000.00     |            | £80,000.00 |            |

Upon resignation or dismissal on performance grounds or unfair dismissal etc the banked element will not be paid. This will apply to 10 current roles and individuals in the organisation. The individuals' in-scope will be reviewed bi-annually, upon appointment of new senior roles or promotion into senior leadership roles.

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For more information on the Edinburgh Tram Project go to [www.edinburghtrams.com](http://www.edinburghtrams.com)

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**From:** Julie Thompson  
**Sent:** 27 March 2009 10:45  
**To:** Philip Barr ([philip.barr@edinburgh.gov.uk](mailto:philip.barr@edinburgh.gov.uk))  
**Subject:** STRICTLY PRIVATE & CONFIDENTIAL - sent on behalf of David Mackay - CEO Bonus  
**Importance:** High  
**Sensitivity:** Confidential

Philip

The attached historical information regarding Willie Gallagher will make interesting reading and maybe give some basis for the 50% bonus arrangements. However, I believe this must also be linked to team performances and should naturally reflect closely the arrangements in place for Executive Directors and Senior Managers.

I wonder therefore if the best route is to agree the basic principle of 50% of salary paid annually with 50% of the 50% retained longer term. All of that seems rather clumsy but I am sure you will be able to put it into a better form.

Finally, the **tie** Remuneration Committee of course has a duty of care and responsibility here and they will also need to be in the loop.

Best regards

David

bcc: Colin McLauchlan

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